

AVIC INTERNATIONAL MARITIME HOLDINGS LIMITED

(Formerly known as "AVIC International Investments Limited")



(Incorporated in the Republic of Singapore)

(Company Registration No. 201024137N)

(the "Company" and together with its subsidiaries, the "Group")

THE PROPOSED DISPOSAL OF THE 60% SHAREHOLDING IN AVIC ZHENJIANG SHIPYARD MARINE PTE. LTD. TO AN INTERESTED PERSON

1. INTRODUCTION

The Board of Directors (the "Board") of the Company wishes to announce that the Company had on 15 May 2019, entered into a conditional sale and purchase agreement ("SPA") with High Beyond Corporation Limited (航遠有限公司) (the "Purchaser") for the disposal of its entire shareholding interest in AVIC Zhenjiang Shipyard Marine Pte. Ltd. ("AZM"), comprising 3,000,000 issued and paid-up ordinary shares ("Sale Shares") in the capital of AZM, which represents 60% of the shareholding interest in AZM, to the Purchaser for an aggregate consideration of US\$2,204,000 (or RMB15,126,480 based on an agreed exchange rate of US\$1.00 : RMB6.8632) (the "Proposed Disposal").

Note: For the purpose of this Announcement and for shareholders' reference, unless otherwise specified, the indicative exchange rates of SGD1.00 : RMB5.0062, and SGD1.00 : US\$0.7294 will be applied throughout this Announcement for illustrative purposes only.

2. INFORMATION RELATING TO AZM AND THE PURCHASER

2.1. Information on AZM

AZM is a joint venture company incorporated in Singapore, with its registered office at 8 Robinson Road, #13-00 ASO Building, Singapore 048544. The total issued and paid up share capital of AZM is US\$5,000,000 (equivalent to approximately SGD6,855,000), comprising 5,000,000 ordinary shares. Its core business is essentially investing in vessels by taking up equity stakes in vessels for investment purposes.

The Company owns 60% of the total issued and paid-up share capital of AZM, comprising 3,000,000 ordinary shares. The remaining 40% of the total issued and paid-up share capital of AZM comprising 2,000,000 ordinary shares is owned by Jiangsu Zhengjiang Shipyard (Group) Co., Ltd. ("JV Partner"), an independent third party.

AZM holds the entire issued and paid-up share capital of Blue Ocean Ship Management & Engineering Limited ("Blue Ocean"), a company which is incorporated in Hong Kong and is the sole subsidiary of AZM. AZM and Blue Ocean shall collectively be known as the "Disposal Group".

Based on the audited financial information of the Disposal Group for the financial year ended 31 December 2018 ("FY2018"), the Disposal Group's revenue amounted to RMB5,480,110

(equivalent to approximately SGD1,095,000) and its net profits amounted to RMB2,084,246 (equivalent to approximately SGD417,000). As at 31 December 2018, the Disposal Group's (i) audited net tangible assets amounted to RMB25,013,393 (equivalent to approximately SGD4,997,000), (ii) total assets amounted to RMB237,830,862 (equivalent to approximately SGD47,508,000) and (iii) total liabilities amounted to RMB212,817,469 (equivalent to approximately SGD42,511,000). The Disposal Group did not have any contingent liabilities as at 31 December 2018.

However, for the financial year ended 2017 ("FY2017"), the Disposal Group's revenue amounted to RMB126,358,719 (equivalent to approximately SGD25,241,000), and net loss amounted to RMB11,941,980 (equivalent to approximately SGD2,386,000).

2.2. Information on the Purchaser

The Purchaser is a company incorporated in Hong Kong on 11 May 2016. Its principal business is investment holding. It is a wholly owned-subsiary of AVIC International Holdings Limited (中航国际控股股份有限公司) ("AIHL"), a Chinese government-controlled conglomerate listed on the Hong Kong Stock Exchange (stock code: 161). As at the end of 2018, the Purchaser's total assets are recorded at approximately RMB33 million (equivalent to approximately SGD6.6 million).

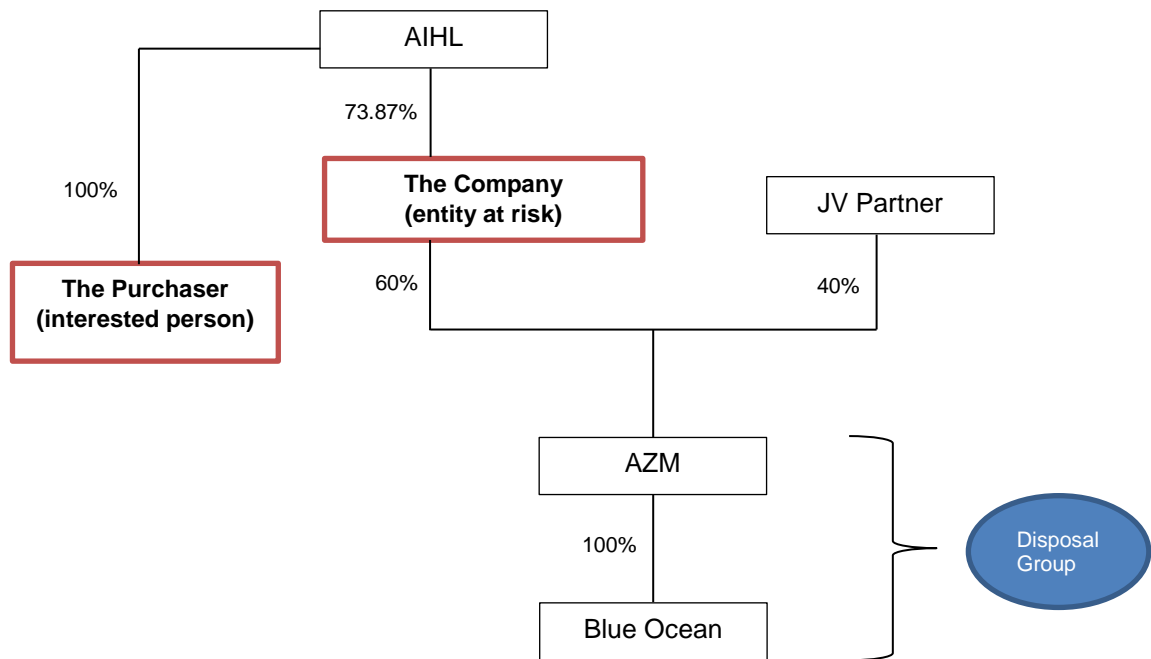
For more information on AIHL, please refer to the website at:

<http://www.avic161.com/web/>

2.3. Relationship between the Company and the Purchaser

AIHL, being the sole shareholder of the Purchaser, is also the controlling Shareholder of the Company holding approximately 73.87% of the total issued and paid up share capital of the Company. Accordingly, it is the majority shareholder of both the Company and the Purchaser. Under Chapter 9 of the Listing Manual Section B: Rules of Catalist ("Catalist Rules") of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Company, being the issuer, is an "entity at risk" and the Purchaser is, by virtue of it being a subsidiary of AIHL, an "interested person". The Proposed Disposal is accordingly classified as an interested person transaction under the Catalist Rules, further details of which are set out in Section 9 of this Announcement.

For illustrative purposes, please see the diagrammatic chart outlining the relationship between the Company, the Purchaser, AIHL and the Disposal Group as set out below.



Note: For purposes of clarity, other subsidiaries, associated companies and related companies of the Company have not been included in the above diagram, which is for illustrative purposes only and does not comprise the entire Group structure.

3. PRINCIPAL TERMS OF THE PROPOSED DISPOSAL

3.1. Overview of the Proposed Disposal

Subject to the terms and conditions of the SPA, the Company shall sell the Sale Shares to the Purchaser for an aggregate consideration of US\$2,204,000 (equivalent to approximately RMB15,126,480 based on an agreed exchange rate of US\$1.00 : RMB6.8632) on an as-is-where-is basis.

The JV Partner has agreed to waive any and all pre-emption rights, tag-along rights and/or other rights or restrictions arising from or in respect of the sale of the Sale Shares under the articles of association and/or other constitutional document(s) of AZM and under any shareholders' agreement between the shareholders of AZM.

Upon the completion of the Proposed Disposal, AZM will cease to be a subsidiary of the Company.

3.2. Consideration

The aggregate consideration for the Sale Shares (i) shall be US\$2,204,000 (or RMB15,126,480 based on an agreed exchange rate of US\$1.00 : RMB6.8632) ("**Consideration**"), (ii) shall be satisfied fully in cash, and (iii) shall be payable by the Purchaser to the Company upon completion of the Proposed Disposal and the transactions contemplated under the SPA.

The Consideration was arrived at on a willing-buyer and willing-seller basis, taking into account, among other things, the following factors:

- (a) the Valuation Report (as defined in Section 13 of this Announcement) which has valued

the entire net asset value of the Disposal Group at RMB25,210,800 (equivalent to approximately US\$3,673,330 or approximately SGD5,035,915;

- (b) the historical operating track record and financial performance of the Disposal Group;
- (c) the audited financial information of the Disposal Group for FY2018; and
- (d) the rationale and benefits to the Company for the Proposed Disposal as set out in Section 7 of this Announcement.

Based on the value of the Consideration and the assumptions set out in Section 4.1 of this Announcement, the gain upon completion of the Proposed Disposal is expected to be US\$17,258 (or equivalent to approximately RMB118,444 or approximately SGD24,660).

3.3. Conditions Precedent

Completion of the Proposed Disposal is conditional upon, among other things, the fulfilment and satisfaction of the following conditions precedent:

- (a) the Company having received the requisite approval from the Board and its Shareholders for the Proposed Disposal and the transactions contemplated under the SPA;
- (b) all material approvals, authorisations, clearances, confirmations, consents, exemptions, grants, licenses, orders, permissions, recognitions and waivers as may be required or appropriate for or in connection with the Proposed Disposal and all other transactions in connection therewith and incidental thereto on the terms set out in the SPA from all relevant government, governmental, quasi-governmental, supranational, statutory, regulatory, administrative, fiscal or judicial agency, authority, body, court, commission, department, exchange (including, without limitation, the SGX-ST and/or the continuing sponsor of the Company) or tribunal in any jurisdiction having been obtained and not withdrawn or revoked;
- (c) no relevant authority taking, instituting, implementing or threatening to take, institute or implement any action or proceeding, that will make the sale and purchase of the Sale Shares and all other transactions in connection therewith and incidental thereto, void, illegal and/or unenforceable or otherwise restrict, restrain, prohibit or otherwise frustrate or be adverse to the same; and
- (d) all other consents and approvals required under any and all applicable laws for the Proposed Disposal and to give effect to the transactions contemplated under the SPA (including, without limitation, such waivers as may be necessary of terms which would otherwise constitute a default under any instrument, contract, document or agreement to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries or its or their respective assets are bound) being obtained and where any consent or approval is subject to conditions, such conditions being satisfactory to the Purchaser.

3.4. Completion

The completion of the Proposed Disposal ("**Completion**") shall take place within ten (10) business days commencing from the date on which the last condition precedent of the SPA is fulfilled or waived, or such other date as the Company and the Purchaser may agree in writing,

but in any event no later than 31 December 2020 (“**Long-Stop Date**”).

4. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

4.1. Assumptions

The pro forma financial effects of the Proposed Disposal as set out below are for illustrative purposes only and do not reflect the future financial position of the Company or the Group after Completion.

The pro forma financial effects in this section are based on the consolidated audited financial statements of the Group for FY2018. The pro forma financial effects of the Proposed Disposal have been prepared based on the following assumptions:

- (i) The number of shares is based on the 285,576,000 issued and paid-up ordinary shares in the capital of the Company (“**Shares**”) as at 31 December 2018;
- (ii) The Proposed Disposal had been completed on 31 December 2018 for the purposes of computing the pro forma financial effects on the net tangible assets (“**NTA**”) of the Group; and
- (iii) The Proposed Disposal had been completed on 1 January 2018 for the purposes of computing the pro forma financial effects on the earnings per Share (“**EPS**”) of the Group.

4.2. Effects on NTA per Share

		Before the completion of the Proposed Disposal	After the completion of the Proposed Disposal
NTA (RMB'000)	:	74,470	74,589
Number of Shares	:	285,576,000	285,576,000
NTA per Share (Fen)	:	26.08	26.12

4.3. Effects on EPS

		Before the completion of the Proposed Disposal	After the completion of the Proposed Disposal
Profit attributable to Shareholders (RMB'000)		27,280	26,209
Number of Shares		285,576,000	285,576,000
EPS (Fen)		9.55	9.11

5. RELATIVE FIGURES UNDER RULE 1006 OF THE CATALIST RULES

The relative figures for the Proposed Disposal as computed on the bases set out in Rule 1006 of the Catalist Rules and the audited consolidated financial information of the Group for FY2018 are as follows:

(a)	Net asset value of the assets to be disposed of, compared with the group's net asset value.	9.8% ⁽¹⁾
(b)	Net profits attributable to the assets disposed of, compared with the Group's net profits/losses.	6.9% ⁽¹⁾
(c)	Aggregate value of the consideration received, compared with the Company's market capitalisation based on the total number of issued Shares excluding treasury shares.	10.8% ⁽²⁾
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable ⁽³⁾
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	Not applicable ⁽⁴⁾

Notes:

- (1) Based on the consolidated financial statements of the Disposal Group and the Group for 1Q2019.
- (2) Under Rule 1002(5), "market capitalisation" is determined by multiplying the number of Shares in issue by the weighted average price of such Shares transacted on the market day preceding the date of the SPA. Accordingly, the market capitalisation of the Company is based on 285,576,000 Shares in issue and the weighted average price of SGD0.098 of the Shares transacted on 14 May 2019, being the last market date preceding the date of the SPA that the Shares were traded, and as such the market capitalisation for the purposes of the Proposed Disposal is SGD27,986,448 or equivalent to approximately RMB140,105,756 based on an exchange rate of SGD1.00 : RMB5.0062.
- (3) Rule 1006(d) of the Catalist Rules is not applicable to a disposal of assets.
- (4) Rule 1006(e) of the Catalist Rules is not applicable as the Company is not a mineral, oil and gas company.

As the relative figures computed on each of the bases set out in Rule 1006 of the Catalist Rules exceed 5% but do not exceed 50%, the Proposed Disposal is classified as a "discloseable transaction" under Chapter 10 of the Catalist Rules, and pursuant to Rule 1010 of the Catalist Rules, the Company must, after the terms have been agreed, immediately announce the Proposed Disposal and the relevant details thereof.

6. PROPOSED DISPOSAL AS AN INTERESTED PERSON TRANSACTION

As stated in Section 2.2 of this Announcement, the Purchaser is a wholly-owned subsidiary of AIHL. As stated in Section 2.3 of this Announcement, AIHL is also a controlling Shareholder of the Company which owns approximately 73.87% of the total issued and paid up share capital of the Company. As such, the Purchaser is an associate of AIHL and is thus an "interested person" under Rule 904(4) of the Catalist Rules. Accordingly, the Proposed Disposal, which is a transaction between the Purchaser (the "interested person") and the Company (the "entity at risk"), constitutes an interested person transaction under Chapter 9 of the Catalist Rules.

The value of the Proposed Disposal, which is the Consideration of US\$2,204,000 (or RMB15,126,480 based on an agreed exchange rate of US\$1.00 : RMB6.8632), represents approximately 20.3% of the Group's latest audited NTA as at 31 December 2018, which is RMB74,470,000 (equivalent to approximately SGD14,856,000). As the value of the Proposed Disposal exceeds 5% of the Group's latest audited NTA, the Proposed Disposal is, pursuant to Rule 906 of the Catalist Rules, subject to the approval of the independent Shareholders being obtained at an extraordinary general meeting ("**EGM**") of the Company to be convened.

Save for the Proposed Disposal as disclosed above, the Group has not entered into any transactions with the Purchaser during the current financial year ending 31 December 2019 up to the date of this Announcement.

As at the date of this Announcement, the aggregate value of all interested person transactions entered into by the Group for the current financial year ending 31 December 2019 is approximately RMB54.7 million (equivalent to approximately SGD11 million).

7. RATIONALE FOR THE PROPOSED DISPOSAL

The Proposed Disposal is undertaken pursuant to a strategic review of the financial position, operational needs, long-term strategy and direction of the Group, as well as taking into account the business prospects of the Disposal Group.

As mentioned in Section 2.1 above, the core business of the Disposal Group is essentially to invest in vessels by taking up equity stakes in the vessels for investment purposes ("**Ship Investment Business**"). The Disposal Group has been facing and continues to face challenging market conditions due to, among other things, reduced demand for offshore support vessels following the oversupply of such vessels in the global market.

Having regard to the terms and the timing of the Proposed Disposal, the Board is of the view that the Proposed Disposal represents an opportunity for the Group to dispose of its Ship Investment Business for a satisfactory consideration as well as to realise its investment in AZM, which would unlock value for Shareholders and further strengthen the Group's financial position.

The Proposed Disposal also provides the Group with an opportunity to realize an immediate gain, which would improve the Group's liquidity, fund the Group's working capital requirements for the Group's other core businesses (which is in the provision of shipbuilding project management and consultancy services ("**M&C Services**"), design and engineering, shipbuilding (outsourced), ship trading related businesses, and engineering, procurement and construction services) and allow the Group to undertake new investment opportunities as and when they arise, which may result in higher value to Shareholders.

8. OTHER FINANCIAL INFORMATION

Based on the latest audited consolidated financial statements of the Company for FY2018, the net profits attributable to the Disposal Group is RMB2,084,000 (or equivalent to approximately SGD416,284), and the book value of the Disposal Group is approximately RMB25,014,000 (or equivalent to approximately SGD4,997,000). As such, the net profits attributable to the Sale Shares (representing the Company's 60% shareholding interest in the Disposal Group) is RMB1,250,400, and the book value of the Sale Shares is approximately RMB15,008,000 (or equivalent to approximately SGD2,998,200)

The amount of excess of the Consideration over the book value of the Sale Shares is approximately RMB118,444 (or equivalent to approximately SGD24,660).

The net proceeds from the Proposed Disposal will be used by the Group for its general working capital requirements.

9. INTERESTS OF DIRECTORS, SUBSTANTIAL SHAREHOLDERS OR THEIR ASSOCIATES IN THE PROPOSED DISPOSAL

None of the Directors (other than in his capacity as a Director), substantial Shareholders of the Company or their associates has any interest, direct or indirect, in the Proposed Disposal.

10. DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a Director in connection with the Proposed Disposal. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

11. INDEPENDENT FINANCIAL ADVISER

The Company will be appointing an independent financial adviser ("**IFA**") to advise the Directors who are considered independent of the Proposed Disposal ("**Independent Directors**") and the audit committee of the Company ("**Audit Committee**") for the Proposed Disposal as an interested person transaction.

A copy of the letter from the IFA to the Independent Directors and the Audit Committee will be set out in the Circular (as defined below) to be despatched to Shareholders in due course.

12. AUDIT COMMITTEE'S STATEMENT

The Audit Committee will be obtaining an opinion from the IFA before forming its view on whether the Proposed Disposal is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

13. VALUATION OF THE DISPOSAL GROUP

Beijing Guoyou Dazheng Asset Evaluation Co., Ltd (北京国友大正资产评估有限公司) has been commissioned by the Company to prepare a valuation report on the Disposal Group. Based on the valuation report dated 30 April 2019 ("**Valuation Report**"), the Disposal Group is valued at RMB25,210,800.

14. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors of the Company collectively and individually accept full responsibility for the accuracy of the information given in this Announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Announcement constitutes full and true disclosure of all material facts about the Proposed Disposal, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Announcement misleading. Where information in this Announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the

Announcement in its proper form and context.

15. DOCUMENTS FOR INSPECTION

A copy of the SPA and the Valuation Report will be made available for inspection during normal business hours at the registered office of the Company at 8 Robinson Road, #13-00 ASO Building, Singapore 048544 for a period of three (3) months from the date of this Announcement.

16. EXTRAORDINARY GENERAL MEETING AND CIRCULAR

A circular (“**Circular**”) to the Shareholders containing further details of the Proposed Disposal and enclosing a notice of EGM to be convened in connection with the Proposed Disposal and the opinion of the IFA, will be despatched by the Company to the Shareholders in due course. In the meantime, Shareholders are advised to refrain from taking any action in relation to their Shares in the Company which may be prejudicial to their interests until they or their advisers have considered the information and recommendations to be set out in the Circular.

17. CAUTIONARY STATEMENT

Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company. There is no certainty or assurance that the Proposed Disposal will be completed. The Company will make the necessary announcements, in compliance with the requirements of the Catalist Rules, as and when there are material developments in respect of the Proposed Disposal, the SPA and other matters contemplated in this Announcement. Shareholders are advised to read this Announcement and any further announcements by the Company carefully. Shareholders should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

By Order of the Board

Dr Diao Weicheng
Executive Chairman
15 May 2019

*This Announcement has been prepared by the Company and its contents have been reviewed by the Company's Continuing Sponsor, Stamford Corporate Services Pte. Ltd. (“**Sponsor**”), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) Listing Manual Section B: Rules of Catalist.*

The Sponsor has not independently verified the contents of this Announcement. This Announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this Announcement, including the accuracy, completeness or correctness of any of the statements or opinions made or reports contained in this Announcement.

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